

Message Text

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TO USMISSION OECD PARIS

C O N F I D E N T I A L STATE 001334

EXDIS

FOLLOWIG REPEAT STATE 001334 ACTION LONDON JAN. 4,

QUOTE

C O N F I D E N T I A L STATE 001334

EXDIS

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJ: BRITISH VIEWS ON SECRETARY'S PROPOSAL FOR ENERGY
ACTION GROUP (EAG)

1. SUMMARY. DURING DECEMBER 27 CALL ON UNDER SECRETARY DONALDSON, BRITISH STRESSED HOPE THAT OECD SECRETARY GENERAL WILL MAKE EARLY PROPOSALS FOR CREATION OF ENERGY ACTION GROUP (EAG). HMG WARMLY WELCOMED EAG INITIATIVE, HOPE PRODUCERS WILL BE KEPT INFORMED TO AVOID PRODUCER/ CONSUMER CONFRONTATION, AND BELIEVE FIRST IMPORTANT PRACTICAL TASK FACING EAG IS PRICE QUESTION. DONALDSON AGREED RE URGENCY OF PRICE SITUATION, BUT NOTED OUR RESERVATION ABOUT OECD AS MECHANISM FOR STARTING EAG. BRITISH SAW DIFFICULTY IN LIMITING REPRESENTATION FROM CONFIDENTIAL

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EC-9 ON EAG. DONALDSON SPELLED OUT OUR CURRENT AND INITIAL THINKING REGARDING FORMATION OF EAG AND PROMISED TO HAVE FURTHER DISCUSSION WITH BRITISH AS OUR IDEAS DEVELOPED. END SUMMARY.

2. BRITISH CHARGE SYKES AND COMMERCIAL MINISTER CORTAZZI CALLED ON UNDER SECRETARY DONALDSON DECEMBER 27 FOR A REVIEW OF MUTUAL THINKING REGARDING SECRETARY'S EAG PROPOSAL.

3. OECD. SYKES OPENED CONVERSATION BY EXPRESSING HOPE WE SHARED VIEW THAT RECENT OECD HIGH LEVEL MEETING HAD GONE WELL AND HAD KEPT UP MOMENTUM AFTER

SECRETARY'S PILGRIM SPEECH IN LONDON. SYKES NOTED NEED TO KEEP PRESSURE ON OECD SECRETARY GENERAL TO MAKE VERY EARLY PROPOSALS FOR CREATION OF EAG. THIS MENTION OF OECD, SYKES SAID, WAS IN CONTEXT OF HOW TO SET UP EAG; EVENTUAL GROUPING OF EAG WOULD MEET SEPARATELY FROM OECD, EAG SHOULD NOT VANISH INTO MIRE OF OECD, NOR SHOULD EAG DUPLICATE OR OVERLAP OECD FUNCTIONS. SYKES CONTINUED BY NOTING IN INITIAL STAGES A RECOGNIZED INSTITUTION SUCH AS OECD WOULD PROVE USEFUL. IT HAD ADVANTAGE OF ALREADY HAVING ALL MAJOR CONSUMERS IN IT AND IS ONLY SUCH BODY. HE CONCLUDED THAT HMG HAD NO FIXED IDEA ON HOW TO UTILIZE THE OECD EXCEPT THAT EA WOULD HAVE TO BE SEPARATE FROM OECD. DONALDSON REPLIED HE SHOULD BE CANDID AND GIVE BRITISH OUR INITIAL RESERVATION ABOUT OECD AS MECHANISM FOR STARTING EAG. RECENT OPEC PRICE INCREASES REINFORCED OUR VIEW THAT EAG PROPOSAL WAS TOO URGENT TO BE INTRODUCED VIA OECD VEHICLE. ANY MEETING NOW BETWEEN OECD AND OPEC COUNTRIES COULD LEAD TO CONFRONTATION AND THIS IS WHAT WE WERE TRYING TO AVOID. OECD WILL OBVIOUSLY PROVE TO BE USEFUL VEHICLE, BUT NOT FOR ESTABLISHING EAG.

4. LEVEL OF REPRESENTATION. DONALDSON STRESSED EAG REPRESENTATION WOULD HAVE TO BE AT SUFFICIENTLY HIGH LEVEL TO CREATE IMPACT AND IMPETUS NECESSARY FOR WORK OF GROUP. GROUP WOULD HAVE TO BE SMALL. SYKES AGREED CONFIDENTIAL

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AND SAID HMG REPRESENTATION WAS UNDECIDED AT PRESENT TIME. DONALDSON ASKED ABOUT EUROPEAN REPRESENTATION ON EAG; WHAT WAS PRELIMINARY BRITISH THINKING RE REPRESENTATION FROM EC NINE? CORTAZZI SAID HE SAW DIFFICULTY IN CUTTING DOWN ON REPRESENTATION OF NINE AS ALL WOULD WANT TO BE PRESENT. IT MIGHT BE POSSIBLE TO HAVE SOME OF THE SMALLER MEMBERS AGREE TO BE REPRESENTED BY ONE OF THEIR NUMBER. OR, WERE IT POSSIBLE TO DEVELOP A GROUP OF PRESTIGIOUS INDIVIDUALS, AS OPPOSED TO GOVERNMENT OFFICIALS, IT MIGHT BE POSSIBLE TO REDUCE NUMBER OF REPRESENTATIVES. CORTAZZI MENTIONED AS EXAMPLE OF THIS TYPE OF APPROACH THE REY GROUP ON TRADE NEGOTIATIONS AND HE ASKED ABOUT OUR REACTION TO THIS TYPE OF APPROACH. DONALDSON REPLIED WE NOW THINKING OF HIGH

LEVEL GOVERNMENT REPRESENTATIVES FOR INITIAL EAG MEETING. SYKES ASKED WOULD EAG MEMBERS BE REPRESENTATIVES OR DELEGATES. DONALDSON SAID HE FORESAW REPRESENTATIVES WHO THEREFORE COULD TAKE GENERAL DECISIONS REGARDING FUTURE WORK OF EAG. SUCH REPRESENTATIVES WOULD BE OF SUFFICIENT STATURE IN ORDER TO REPRESENT THEIR GOVERNMENTS' VIEWS.

5. PRIORITIES AND SCENARIO. SYKES SAID IT WAS MOST IMPORTANT THAT EAG BE PRESENTED IN MANNER TO CONVINCE PRODUCERS

TO COOPERATE. OUR MAJOR GOAL SHOULD BE TO PREVENT SECOND PRICE RISE AND TO CONVINCE PRODUCERS IT WOULD NOT BE WISE TO USE OIL WEAPON AGAIN. DONALDSON SAID THAT WHILE AN IMPORTANT PRIORITY WILL BE TO GET PRODUCER COOPERATION, THE CONSUMING NATIONS WILL FIRST HAVE TO AGREE ON A WILLINGNESS TO APPROACH PRODUCERS WITH A FEASIBLE BUSINESS DEAL. WE MUST MOVE QUICKLY WITH CONSUMERS, DONALDSON CONTINUED, SO AS NOT TO LOSE MOMENTUM; ALREADY SOME CONSUMERS WERE SEEING RECENT PARTIAL LIFTING OF EMBARGO AS REASON FOR LESSENING URGENCY OF ATTACKING ENERGY CRISIS (E.G., JAPANESE DECISION NOT TO INSTITUTE RATIONING, TOKYO 16651). CONSUMERS WILL STILL NEED TO DEVELOP COMMON CONSUMPTION REDUCTION POLICIES. IN DEVELOPING PLANS FOR SHARING ENERGY ON AN EQUITABLE BASIS BETWEEN CONSUMING COUNTRIES, WE WILL NEED COOPERATION OF PRODUCERS. SUCH SHARING, SAID DONALDSON WOULD ALSO MEAN SHARING OF JOINT RESEARCH ON TECHNOLOGY AND DEVELOPMENT OF NEW SOURCES OF ENERGY BETWEEN CONSUMERS. DONALDSON CONCLUDED BY EX-CONFIDENTIAL

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PRESSING OUR HOPE THAT CONSUMING NATIONS MAY CONVENE AS SOON AS POSSIBLE AND QUICKLY MOVE ON TO DISCUSSIONS WITH PRODUCERS, THEREFORE AVOIDING CONFRONTATION BETWEEN TWO SIDES. AS BASIC AGREEMENT REACHED BETWEEN CONSUMERS AND THEN BETWEEN CONSUMERS AND PRODUCERS, ROLE OF OECD TO CARRY OUT THESE BASIC AGREEMENTS COULD COME INTO PLAY.

6. PRESENTATIONAL ASPECTS. SPEAKING PERSONALLY, SYKES NOTED THE FOLLOWING PRESENTATIONAL ASPECTS OF EAG PROPOSAL THAT WOULD HAVE TO BE KEPT IN MIND SO AS NOT TO KILL INITIATIVE BEFORE IT GOT OFF GROUND; DON'T GIVE IMPRESSION OF CONFRONTATION BETWEEN PRODUCERS AND CONSUMERS; EMPHASIZE BOTH SHORT-TERM AND LONG-TERM ASPECTS OF ENERGY CRISIS; CONSUMERS SHOULD STRESS ALTERNATIVES NOW BECOMING AVAILABLE AS ENERGY SOURCES DURING PERIOD WHEN PETROLEUM PRICES RISE STEEPLY; WE NEED TO CONVINCE ARABS WE HAVE ALTERNATIVES AND CAN MEET PROBLEMS WE ARE NOW FACING; WE SHOULD CONTINUE TO ENCOURAGE PRODUCERS TO THINK ABOUT WORLDWIDE ECONOMIC PROBLEM, POSSIBLE RECESSION IN DEVELOPED WORLD AND WHAT THIS WOULD MEAN TO PRODUCERS; AND WE SHOULD EMPHASIZE TO PRODUCERS WHAT THE EFFECT WILL BE ON LDCS IN THE WORLD (SERIOUS BOP PROBLEMS, CATASTROPHIC FERTILIZER SHORTAGES,

LESSENEED FOOD SUPPLIES, ETC.).

7. FOR LONDON. PER BRAND/WRIGHT TELCON, THIS MESSAGE
HERE. SYKES SAID HE WOULD BE REPORTING TO LONDON AND
WE WANTED TO PUT YOU ON EQUAL FOOTING. THIS CONVERSATION
AND THAT WITH JAPANESE AMBASSADOR YASUKAWA (STATE 250896)
REFLECT OUR TENTATIVE THINKING REGARDING EAG. WE ARE IN
PROCESS OF URGENTLY DEVELOPING MORE FORMAL GUIDANCE FOR

YOU AND OTHER POSTS AND WILL BE FORWARDING IT SHORTLY.
MEANWHILE, MUST REQUEST YOU NOT REPEAT NOT SPECIFICALLY
DRAW ON THIS MESSAGE OR STATE 250896, BUT CONTINUE TO
REPORT REACTIONS AND CURRENT THINKING. SEE ALSO OUR
RESPONSE TO EC BRUSSELS 7515 (STATE 000002). RUSH

UNQUOTE KISSINGER

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